| Candidate Name | Centre Number | Candidate Number |
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OCR
RECOGNISING ACHIEVEMENT

**OXFORD CAMBRIDGE AND RSA EXAMINATIONS**
**General Certificate of Secondary Education**

# BUSINESS STUDIES A 1951/1

PAPER 1 (Common Core) FOUNDATION TIER

Thursday **15 JUNE 2006** Afternoon 1 hour 45 minutes

Candidates answer on the question paper.
No additional materials are required.

**TIME** 1 hour 45 minutes

## INSTRUCTIONS TO CANDIDATES

Write your name, Centre number and candidate number in the spaces at the top of this page.

Answer **all** questions.

Write your answers in the spaces provided on the question paper.

The spaces should be sufficient for your answers but if you require more space use the lined pages at the end of the booklet and number your answers carefully.

## INFORMATION FOR CANDIDATES

The number of marks is given in brackets [ ] at the end of each question or part question.

The total number of marks for this paper is 120.

The quality of your written communication will be taken into account when marking your answers to questions labelled with an asterisk (*).

| FOR EXAMINER'S USE | |
|---|---|
| Question 1 | |
| Question 2 | |
| Question 3 | |
| Question 4 | |
| Question 5 | |
| TOTAL | |

**This question paper consists of 14 printed pages and 2 lined pages.**


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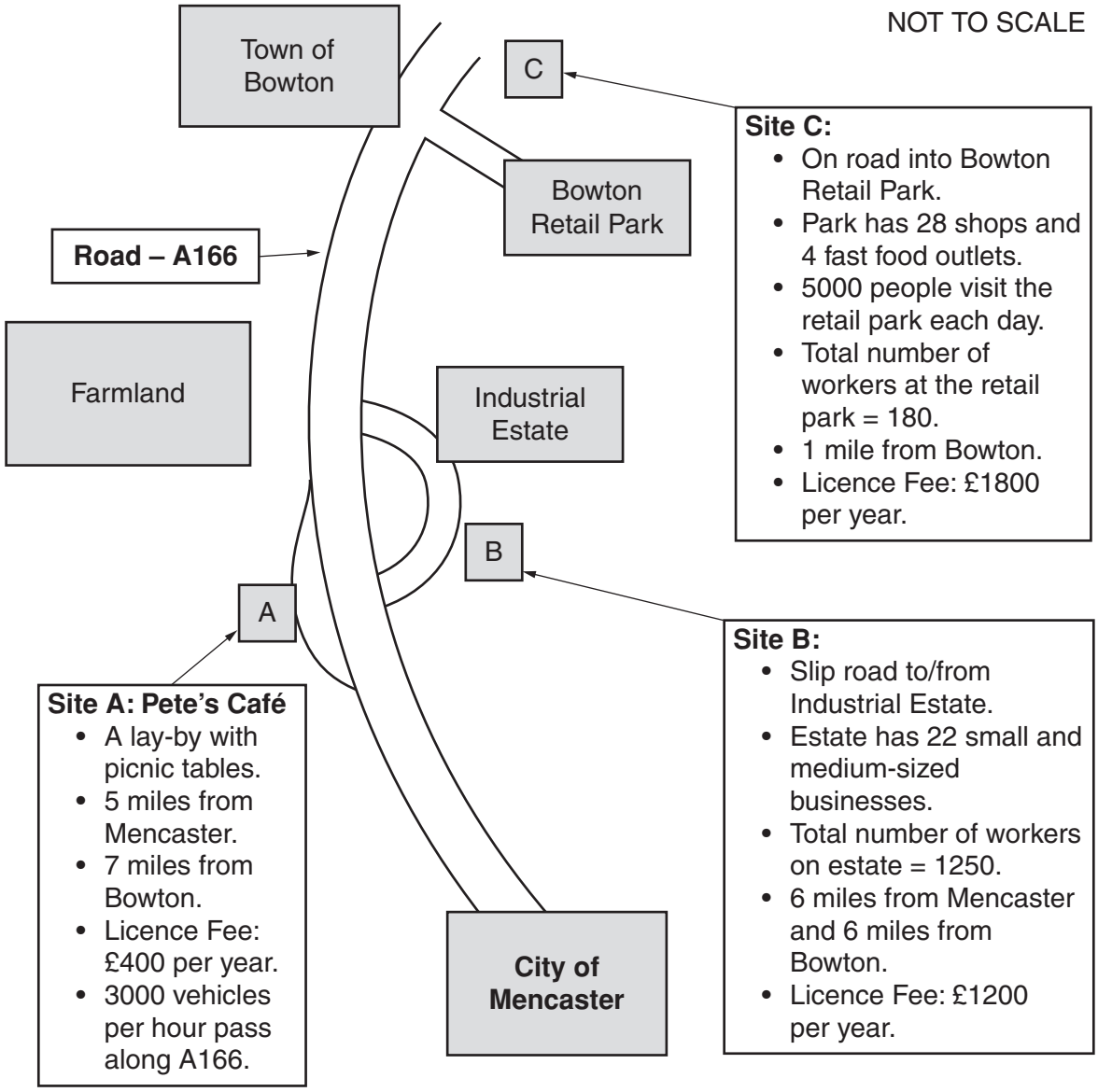
**[Turn over**

**1** Peter Miller started a business called 'Pete's Café' in 2003. He sells drinks and snacks from a trailer parked by the roadside. Fig. 1 below gives information about:

- each of the sites he could have used for his business;
- the licence fee he would have to pay the local Bowton Council for using each site;
- the amount of traffic that passes by;
- business activity in the area.

**Fig. 1 – Map of Moorshire County between Mencaster and Bowton.**




Peter chose to locate his business at Site A. He had compared Site A with sites B and C.

**(a) (i)** State **two** advantages that Site B has over Site C for Peter's business.

Advantage One .....

Advantage Two .....[2]

**(ii)** Using the information in Fig. 1, explain why:

Peter **might** have got more customers at Site C rather than Site A;

.....

.....

.....

Peter **might not** have got more customers at Site C rather than Site A.

.....

.....

.....[4]

***(iii)** Peter chose Site A. Was Peter right to choose Site A rather than Site B? Give reasons for your answer.

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.....[5+2]

QWC

**(b)** Sites A, B and C on Fig. 1 are owned by Bowton Council. The objective of the Council is to provide services for people in the local community. State **two** services that Bowton Council may provide.

Service 1 .....

Service 2 .....[2]

**(c)** State and explain **two** objectives that Peter may have had in his **first year** of business.

Objective One .....

.....

.....

Objective Two .....

.....

.....[4]

**(d)** There are three sectors in an economy – primary, secondary and tertiary. Using Fig. 1, state **one** activity shown for each sector.

Primary .....

Secondary .....

Tertiary.....[3]

**(e)** In Moorshire, over the past 15 years, employment in the secondary sector has decreased whilst employment in the tertiary sector has grown. The statements in Table 1 explain the reasons why these changes have taken place.

For each statement, place a tick (✓) in the column that explains the effect the statement had on employment. The first one has been completed for you.

**Table 1 – Reasons for Changes in Employment in the Secondary and Tertiary Sectors.**

| **Reasons why changes in employment have taken place.** | **This has caused *a fall* in employment in the *secondary* sector.** | **This has caused *a rise* in employment in the *tertiary* sector.** |
|---|---|---|
| An increase in the population in the UK has led to an increased demand for services such as banking and insurance. | | ✓ |
| Imports have increased because other countries such as Taiwan and China are able to produce manufactured goods more cheaply than the UK. | | |
| People in the UK now have more money to spend on luxury services such as eating out and going to the cinema. | | |
| The development of new technology means that fewer people are now needed to make manufactured goods. | | |
| People in the UK now have more time for leisure activities. | | |

[4]

[Total : 26 marks]

**2** **(a)** **(i)** In the financial year 2004, Peter sold 25 000 items at an average price of £4. Calculate the total revenue for Peter's business. Show your working.

.....

.....[2]

**(ii)** It cost Peter £60 000 to buy the goods he sold. Using this information and your answer to question **(i)** above, calculate the profit that Peter made during the financial year 2004. Show your working.

.....

.....[2]

**(iii)** State and explain **three** ways in which Peter could have increased his sales at Site A.

Way One.....

Explanation .....

.....

.....

Way Two .....

Explanation .....

.....

.....

Way Three .....

Explanation .....

.....

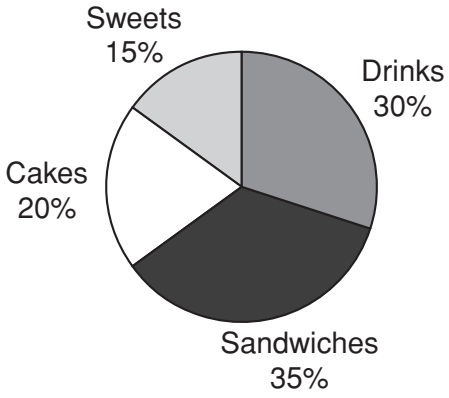
.....[6]

For Examiner's Use

**(b)** Fig. 2 below shows the break-down of sales for Pete's Café for 2005.

**Fig. 2 – Pete's Café – Break-down of sales for 2005**

**Total Sales – £150,000**




Calculate the **value** of the sales of cakes in the year 2005. Show your working.

.....

.....[2]

**(c)** Peter drew up a Balance Sheet for the business at the end of December 2005. A section of this is shown in Table 2 below.

**Table 2 – Pete's Café – Current Assets and Current Liabilities as at 31 December 2005**

| **Current Assets** | **£** |
|---|---|
| Stock | 3600 |
| Debtors | 2000 |
| Cash in the Bank | 1200 |
| Total Current Assets | 6800 |
| **Current Liabilities** | |
| Overdraft | **Item A** |
| Creditors (money owed by Pete's Café to other businesses). | 1000 |
| Total Current Liabilities | 6000 |

**(i)** Calculate the value of Item A – Overdraft. Show your working.

.....

.....[2]

**(ii)** Explain what is meant by an overdraft.

.....

.....

.....[2]

**(iii)** Explain what is meant by the term debtors.

.....

.....

.....[2]

**(iv)** Using the information in Table 2, explain why Peter should be able to pay his creditors the £1000 he owes them.

.....

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.....[2]

[Total : 20 marks]

**3** **(a)** In June 2006, Peter will open a sandwich bar called Pete's Pantry, in the town of Bowton. He may open it as a sole trader or he may open it as a partnership with a friend, Rosie. He plans to use three of the methods of finance shown in Table 3 below to start up the business.

**Table 3 – Possible Methods of Finance – Pete's Pantry**

| *Methods of Finance* |
|---|
| Trade credit |
| Debentures |
| Leasing |
| Share issue |
| Mortgage |

From Table 3, recommend **one** method of finance Peter should use for each of the items listed below. Give reasons for your recommendations.

**Purchase of the premises – Cost £120 000**

Method of Finance .....

Reasons for recommendation.....

.....

.....

.....

**Stock – Cost £5000**

Method of Finance .....

Reasons for recommendation.....

.....

.....

.....

**Van – cost £15 000**

Method of Finance .....

Reasons for recommendation.....

.....

.....

.....[12]

**(b) (i)** The statements in Table 4 below describe unlimited liability and limited liability. Draw a line from **each** statement to either the unlimited liability or limited liability box to show which it describes.

**Table 4 – Statements Describing Limited and Unlimited Liability**

| Statements |
|---|
| The owner is responsible for paying off all the debts of the business if it goes bankrupt. |
| The owner does not have to sell off private possessions if the business goes bankrupt. |
| The owner may have to sell off private possessions if the business goes bankrupt. |
| The owner loses the value of any shares owned in the business if it fails. |

Unlimited Liability

Limited Liability

[4]

**(ii)** If Peter becomes a partner with Rosie, would he have limited or unlimited liability?

.....[1]

*** (c)** Should Peter stay as a sole trader, rather than taking on a partner, when starting up Pete's Pantry? Discuss **both** options when giving your recommendation.

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.....[8+2]

QWC

**(d)** If Peter and Rosie set up Pete's Pantry as a partnership, should they draw up a Deed of Partnership? Give reasons for your recommendation.

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.....[4]

[Total : 31 marks]

**4** **(a)** Some of the costs of Pete's Pantry are stated in Table 5 below. Place a tick (✓) in the appropriate box after each to show whether it is a fixed or a variable cost.

**Table 5 – Examples of Fixed and Variable Costs of Pete's Pantry**

| Cost | Fixed Cost | Variable Cost |
|---|---|---|
| The cost of bottled drinks to sell. | | |
| The cost of ingredients used in the sandwiches. | | |
| The cost of insurance for the premises. | | |
| Interest on a bank loan. | | |

[4]

**(b)** Table 6 below shows the forecast weekly costs and revenues for Pete's Pantry for 2007.

**Table 6 – Forecast weekly costs and revenues for Pete's Pantry, 2007**

| Number of items sold | Total Fixed Cost (£s) | Total Variable Cost (£s) | Total Cost (£s) | Total Revenue (£s) |
|---|---|---|---|---|
| 400 | 1000 | 1200 | 2200 | 1600 |
| 600 | 1000 | 1800 | 2800 | 2400 |
| 800 | 1000 | **B** | 3400 | 3200 |
| 1000 | 1000 | 3000 | 4000 | 4000 |
| 1200 | 1000 | 3600 | 4600 | **C** |
| 1400 | **A** | 4200 | 5200 | 5600 |
| 1600 | 1000 | 4800 | 5800 | 6400 |

- The variable cost per sale is £3.
- The average price of each item sold is £4.

**(i)** Calculate each of the following and write your answers in the spaces provided in Table 6.

**A** The total fixed cost of selling 1400 items.
**B** The total variable cost of selling 800 items.
**C** The total revenue from selling 1200 items. [3]

**(ii)** Using the figures from Table 6, would Peter and Rosie be pleased if they sold 600 items per week in 2007? Give reasons for your answer.

.....

.....

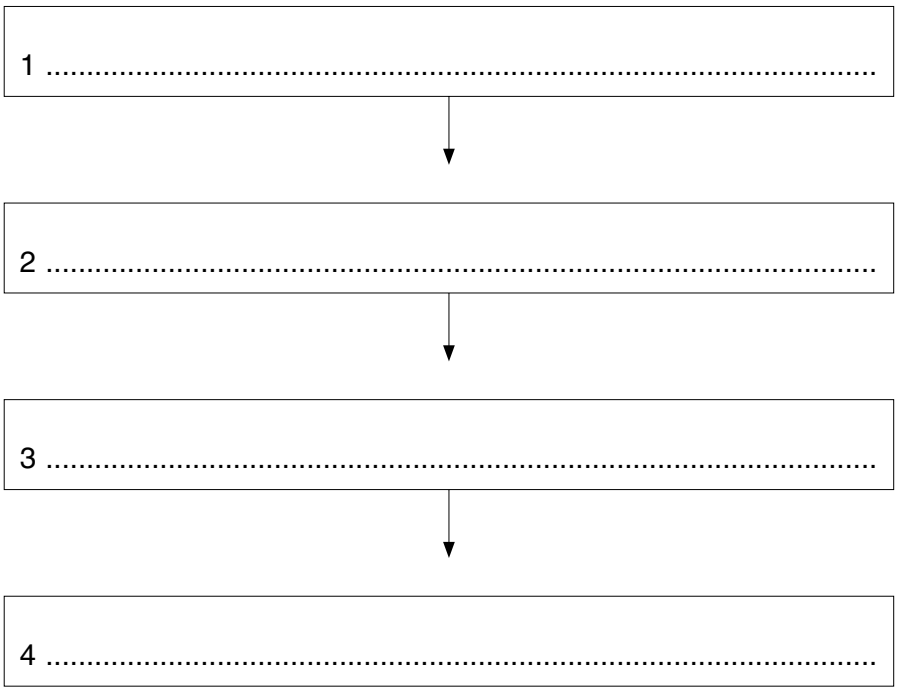
.....[2]

**(c)** Peter and Rosie will need to employ a manager to run Pete's Pantry.

**(i)** Use the following items to complete Fig. 3 to show the correct sequence of events that Peter and Rosie should follow to recruit and select a suitable person.

A. Appoint a suitable applicant.
B. Draw up a job description.
C. Receive application forms from applicants.
D. Advertise the job.

**Fig. 3 – Sequence of Events for Recruiting and Selecting a Manager.**




[4]

**(ii)** The person appointed as the manager will have to do a number of jobs.

Explain how useful each of the following would be to Peter and Rosie in recruiting the manager.

Job description

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Application form

.....

.....

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Interview

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.....

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Test

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.....[12]

[Total : 25 marks]

For Examiner's Use

5 (a) Peter and Rosie plan to sell sandwiches, cakes and drinks from Pete's Pantry. They designed the following advertisement.

**Pete's Pantry – Opening June 30th**

Sells good grub.

Come and try us – first cake free.

How successful do you think this advertisement would be? Give reasons for your answer.

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.....[4]

(b) Peter and Rosie have a limited amount of money to spend on advertising the sandwich bar.

(i) Identify two suitable advertising media they could use.

1. .....

2. .....[2]

(ii) Which of these two media would you recommend? Give reasons for your recommendation.

Choice .....

Reasons .....

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.....[4]



[Turn over

**(c)** Peter and Rosie are considering offering a delivery service from the sandwich bar to local offices and shops. Explain **one** advantage and **one** disadvantage to Peter and Rosie of providing this service.

Advantage.....

.....

.....

Disadvantage.....

.....

.....[4]

**(d)** Peter and Rosie could use the pricing strategies listed below.

A. Psychological pricing
B. Cost plus pricing
C. Penetration pricing
D. Competitor pricing

Write the name of the pricing strategy next to its description in the box below.

| ***What Peter and Rosie could do.*** | ***Name of pricing strategy*** |
|---|---|
| Start to sell a range of hot pies. Charge a low price to get people to try them. | |
| Charge a slightly lower price for cakes than a competitor sandwich bar on the same street. | |
| Buy cold drinks at 50p each, add 40p and sell them for 90p. | |
| Charge 99p rather than £1 for egg sandwiches. | |

[4]

[Total : 18 marks]

If you use the following lined pages to complete the answer to any question, the question number **must** be clearly shown.

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